

October 14, 2009

via electronic mail and USPS delivery

Ms. Janette Lopez
Chief Deputy Director
California Managed Risk Medical Insurance Board
1000 G Street, Suite 450
Sacramento, CA 95814

RE: EVALUATION OF PREMIER ACCESS MEDICAL LOSS RATIO SUBMISSION

Dear Ms. Lopez,

The Department of Managed Health Care (DMHC) hereby provides the Managed Risk Medical Insurance Board (MRMIB), Healthy Families Program (HFP) with the following report regarding the evaluation of Premier Access Insurance (Premier Access) HFP loss ratio submission for the period July 1, 2007 through June 30, 2008. This report outlines the project objectives, methodology and results.

- I Objectives: The purpose of the loss ratio evaluation was to evaluate the underlying payments supporting the amount reported as benefits provided to HFP subscribers and reported by Premier Access.

As part of this evaluation, DMHC performed the following:

- A Determined whether 100% of the children who received services paid by Premier Access were enrolled in the HFP at the time the services were provided.
- B Summarized the total benefit payments within the detailed data provided by Premier Access and compared the total payments to the amount reported on Schedule 6 submitted by Premier Access.
- C Summarized the total payments made by Premier Access for the HFP subscriber, and based on the steps above, recalculated the loss ratio and compared it to the loss ratio submitted by Premier Access on Schedule 6.

To achieve the objectives outlined above, the DMHC performed data analysis on information provided by the MRMIB and Premier Access and corresponded with management personnel at Premier Access. Primary contact at Premier Access was Reza Abbaszadeh, Chief Executive Officer; Timothy Benson, Chief Financial Officer, Access Dental Plan and Hideo Kakiuchi, Chief Financial Officer, Premier Access Insurance Company. The methodology and results for each of the objectives are described below.

II Methodology

- A Determined whether 100% of the children who received services paid by Premier Access were enrolled in the HFP at the time the services were provided.

- 1 The DMHC obtained electronic files containing Fee-for-Service (FFS) claims payments made for HFP subscribers. Additionally, the Department obtained electronic files from the MRMIB of all children eligible for whom payments were made for benefits as a Premier Access subscriber during the period of July 1, 2007 through June 30, 2008.
- 2 Using the two files, the DMHC compared the Client Index Number (CIN) and Date of Service on Premier Access's FFS files to determine if there were any payments made by Premier Access for subscribers that were not eligible for benefits according to the eligibility file received from the MRMIB.

Table 1 – Fee for Service payments for individuals that were not listed as eligible members per the data files provided by Maximus for the service periods under examination.

Table 1 (Ineligible Expenditures)

Claims/Capitation Payments Category	Data Base Total		Ineligible Data		
	Number of claims/services	Amount	Number of claims/services	Amount	Percent Error on Amounts
Fee-for-Service Payments	45,536	\$6,287,934	4	\$404	0.01%

Notes for Table 1: FFS payment mismatches identified during the examination were determined to be immaterial by the examiner and were not proposed as adjustments for the audit.

Summarized the total benefit payments within the detailed data provided by Premier Access and compared the total payments to the amount reported on Schedule 6 submitted by Premier Access.

Using Premier Access's books and records including the database provided by Premier Access, verified the accuracy of the reported medical payments made by Premier Access under the HFP.

Footnote 1: This analysis represents payments made by the Plan to their contracted providers and not payments made by MRMIB to the Plans.

Table 2

Difference between Sch 6 reported amounts and Database Details¹

Description	Sch 6	Plan Data	Difference Overaccrued/ (Underaccrued)	Percent Error
Preventative Services	\$2,852,719	\$2,916,260	(\$63,541)	2.18%
Restorative Services	\$2,903,971	\$2,913,674	(\$9,703)	0.33%
Major Services	\$455,939	\$457,596	(\$1,657)	0.36%

Note 1: The data base provided by Premier Access was analyzed based on the period of service and has been determined the most accurate measure of medical expense for the period of the examination. The data base included costs identified through June 30, 2009 after the exam period to ensure capture of all amounts which would have been identified via accruals/IBNRs.

B Summarized the total payments made by Premier Access for the HFP subscriber, and based on the steps above, recalculated the loss ratio and compared it to the loss ratio submitted by Premier Access on Schedule 6.

Table 3
Detailed reconciliation of detailed data files to Schedule 6

	Category	Reported On Schedule 6	Balance Per DMHC Review	Variance Overaccrued/ (Underaccrued)
	Subscriber Months	298,929	304,560	5,631
1	Premium Payments from State	\$8,055,682	\$8,055,534	(\$148)
	Affiliated Entities and Nonaffiliated Entities			
2	Incentive Payments to Affiliated Parties			
3	Incentive Payments to Nonaffiliated Parties			
4	Total Incentive Payments	\$0	\$0	
	Expenses			
	Medical and Hospital			
5	Preventative Services	\$2,852,719	\$2,916,260	(\$63,541)
6	Restorative Services	\$2,903,971	\$2,913,674	(\$9,703)
7	Major Services	\$455,939	\$457,596	(\$1,657)
8	Other Services ¹	\$325,161	\$282,315	\$42,846
9	Reinsurance expense	\$0	\$0	\$0
10	Incentive Pool Adjustments	\$0	\$0	\$0
11	Total Dental Services	\$6,537,790	\$6,569,845	(\$32,055)
A	Gross Profit	\$1,517,892	\$1,485,690	
B	MEDICAL LOSS RATIO	81.16%	81.56%	

Note 1: Other Services include:

1. Expenditures for operating the Dental Van, including: dental expenses, pro rata portion of administrative expenses, depreciation of the van, pro rata portion of officer salaries allocated to Dental Van operations. During the examination the following procedures were performed: reviewed Dental Van operations for year 2007-2008 and determined the reasonableness of allocation of administrative expenses to the Dental Van. Below is the summary of the Dental Van operations during 2007-2008.

- a. The Dental Van did not operate during the 4th quarter of 2007 and the 1st quarter of year 2008.
- b. During the 3rd quarter of 2007 it visited 5 cities screening 287 children.
- c. During the 2nd quarter of 2008 it participated in "Healthy Kids Day" in Sacramento and traveled to Livingston, Merced County, to provide oral health assessments to 81 pre-school children.

Since the Dental Van did not operate during 4th quarter of 2007 and 1st quarter of 2008, the following adjustments were made to the administrative expense and officers salaries allocation: the pro rata portion of administrative expenses and officers compensation allocated to the dental van operations was reduced by \$30,171 from \$40,081 to \$9,910 for the HFP.

The total expenditures for operating the Dental Van per DMHC's review is \$23,315.

2. Utilization Management expenditures, including: allocation of management compensation expense, payments made to medical consultants, expenditures for Quality Improvement Committee meetings, allocation of portion of occupancy expense. The Utilization Management expenditures totaled \$259,000. During the examination the following procedures were performed: reviewed position descriptions and reasonableness of the allocation of administrative expenses. DMHC accepted Utilization Management expenditures as reported by Premier Access.

III Summary of Findings

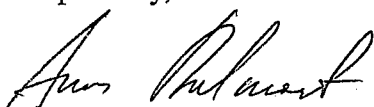
- A Adjustments were made to the administrative expenses and officers' compensation allocated to the Dental Van operations. The total balance was reduced by \$30,171:

IV Limitations

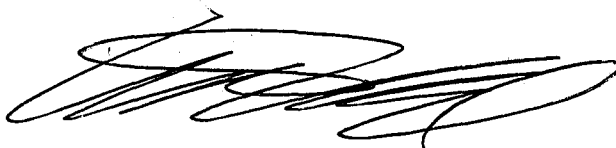
This analysis and report were prepared solely for the purpose of assisting MRMIB in the determination of the accuracy of payments made by Premier Access on their Schedule 6 Medical Loss Ratio Report. We have not performed an evaluation of the Company's internal controls within the guidelines set forth by the AICPA but have reported to you based upon the procedures performed. Our analysis has not been a detailed examination of all transactions, and cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

Please feel free to call Anna Belmont or the DMHC Supervisor with any questions pertaining to this report.

Respectfully,



Anna Belmont, Examiner
Division of Financial Oversight



Stephen Babich, Supervising Examiner
Division of Financial Oversight

cc: Lan Yan, Federal Compliance Unit, MRMIB
Tony Lee, Chief Fiscal Services, MRMIB